

EIOPA publishes peer review on supervision of prudent person principle

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The European Insurance and Occupational Pensions Authority (EIOPA) recently published its [peer review](#) on supervision of the Prudent Person Principle (PPP) under Solvency II.

The Central Bank of Ireland (CBI) was included in the review and EIOPA included two recommended actions for the CBI:

1. To formulate and communicate to insurers' **specific expectations regarding the assessment of whether investments backing unit or index-linked contracts are made in the best interest of policyholders**. Such expectations should address, in particular, the appropriate controls relating to selection and monitoring of specific investment vehicles. This communication should be carried out in a formal publications (e.g. guidelines or letters to the market) or via supervisory actions based on internal guidance. EIOPA noted that the CBI should also consider interlinkages with the supervisory approach to the IDD in this regard.
2. To issue either external or internal **guidance on the supervision of derivatives used for efficient portfolio management**, with the aim of ensuring a common understanding and application by (re)insurers of the use of derivatives. This could take the form of guidance issued to the market or internal guidance to supervisory support staff.

Any such guidance and expectations will be of keen interest to the Irish insurance sector, in particular the expectations regarding assets backing unit-linked business. It is to be hoped that the CBI will issue external guidance to the market on both these issues in due course.